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CHAPTER III

AIRCRAFT, EQUIPMENT, AND SUPPLIES

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Enclosure (1)

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Chapter III

AIRCRAFT, EQUIPMENT, AND SUPPLIES

301. Acquiring Aircraft. The flying club shall have an aircraft acquisition program which is approved by the commanding officer. This program must use the club's operational and financial plans and be the basis for purchasing, lease-purchasing, leasing on an exclusive-use basis or using government loaned aircraft to meet membership needs. All procurement arrangements shall result in true operational control of the aircraft by the flying club. All aircraft controlled by a club, regardless of source of procurement, shall be available for the equal benefit of all members. Appropriated funds shall not be used for the purchase of civilian or the use of military aircraft. Normally, civilian aircraft will be procured for club use by direct purchase, lease-purchase, lease, rental or a combination of these methods. Flying clubs are not authorized to draw surplus government property in their own name. Flying clubs may purchase surplus government property offered for sale to the general public through the disposal system. Lease or rental agreements shall provide for exclusive control by the club during the period of the agreement. BUPERS non-government owned aircraft on loan to a Navy Flying Club may not be sold without written permission of the program manager. In the event funds are not available from resources of the individual club for the desired method of procurement, the following procedures apply:

a. Loan of funds shall be solicited only in the name of the flying club under the supervision of the commanding officer. Individual members of clubs are prohibited from acting as co-signers for loans to clubs for any reason including aircraft procurement. Club aircraft shall be registered in the name of the flying club as government aircraft. Therefore, a co-signer's rights under the law would be abrogated.

b. DOD regulations, as implemented by the Comptroller of the Navy, require loan of funds first be solicited from other sources within the Navy. An example of such a source is another Navy Flying Club or if available from nonappropriated funds held by CHNAVPERS specifically for that purpose. Requests for such loans from funds administered by BUPERS will be forwarded to CHNAVPERS (Pers-656GA). Loans from these sources shall be made on a guaranteed basis with interest. Collateral for all loans shall be protected by insurance per Chapter VIII.

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c. When funds cannot be made available from another Navy source, cross-service borrowing is encouraged. Commercial borrowing shall be obtained only as a last resort. Approval for either cross-service or commercial borrowing must be obtained in writing. Requests should be forwarded to the Comptroller of the Navy via the CHNAVPERS. Collateral for approved cross-service or commercial loans shall be protected by insurance under Chapter VIII.

302. Factors to be Considered in Acquiring Aircraft. As a minimum, the following factors must be considered before acquiring aircraft:

a. Membership Needs. Fleet type and size must be tailored to the membership size and activity level. A small member-to-aircraft ratio may result in lower aircraft use and increased fixed operating costs (insurance, depreciation, and so on) per flying hour.

b. Maintenance Cost Per Flying Hour. Weigh the average cost per flying hour for routine maintenance, inspections, repair, engine overhaul or replacement, and modification against the fees charged per flying hour.

c. Fixed and Variable Cost Obligations. Consider the effect of high depreciation, insurance costs, and lower maintenance costs of a newer aircraft versus lower depreciation, insurance costs, and higher maintenance and upkeep on a older aircraft may be more cost-effective if the aircraft is not kept for a long term.

d. Operational Use of the Aircraft. If needed for training, a standardized type of aircraft for students in primary training will increase efficiency of scheduling, supervision, and safety. Complex aircraft (multi-engine, retractable gear, multi-place, IFR, etc.) may place an undue hardship on the club members' capability to operate such aircraft safely and economically. All flying club aircraft shall have dual flight controls.

e. Financial Obligations. The financial condition of the club must be stable enough to support the acquisition of all aircraft and associated equipment. A budgeted projection of income and operating costs as well as cash flow is needed to reach a sound financial decision.

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303. Government-Loaned Aircraft. Military aircraft suitable for flying club use and in excess of military requirements may be made available to flying clubs on a loan basis at no cost, subject to recall. Requests for military aircraft including aircraft from other military services shall be submitted by the commanding officer to CNO (N88), via the chain of command, and CHNAVPERS with a copy to the Commander, Naval Air Systems Command (COMNAVAIRSYSCOM) (AIR-4121C). Flying clubs will obtain specific approval for acquisition of any government-owned aircraft.

a. Upon receipt or transfer of a government-owned aircraft, the commanding officer shall submit a letter report, BUPERS 1710-23, to the COMNAVAIRSYSCOM (AIR-4121C) with copies to CHNAVPERS (Pers-656) and CNO (N88). COMNAVAIRSYSCOM will prepare the OPNAV X-Ray report. The report shall include:

- (1) The name of the flying club;
- (2) Activity aircraft received from or transferred to;
- (3) Date of transaction; and
- (4) Aircraft type, model, series and bureau number.

(5) The statement that "All Military Distinctive Insignia has been removed from the aircraft."

b. When excess DOD aircraft are made available for flying club use, they are assigned in an "as-is, where-is" condition. Therefore, the gaining club must make any repairs and move the aircraft to the new home base. All clubs shall:

(1) Maintain all loaned aircraft and engines, including spare engines, in complete condition. Cannibalization of loaned aircraft and engines, including spare engines, is prohibited.

(2) On receipt of loaned aircraft:

(a) Remove other services military insignias, or distinctive markings from the aircraft. Such markings include "U.S. Army," "U.S. Air Force," etc. Also remove any other distinctive agency markings such as "Navy Recruiting," "Federal Emergency Management Agency," etc. "Navy Flying Club Monterey" is acceptable.

(b) Register aircraft with the FAA as explained in paragraph 307.

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(c) Maintain government-loaned aircraft in an airworthy condition according to FAA regulations.

c. A message report, BUPERS 1710-20, in the format shown in appendix C, shall be submitted by the commanding officer to CNO (N88) with copy to CHNAVPERS (Pers-656) and COMNAVAIRSYSCOM (AIR-4121C) as follows:

(1) When a Navy-loaned aircraft is out of service for 90 days.

(2) Every 30 days thereafter until the aircraft is returned to service.

(3) As a final report upon return of the aircraft to service.

d. When a government-loaned aircraft is involved in an accident or incident, follow the reporting requirements in chapter IX.

304. Aircraft and Engine Replacement Parts. After government-loaned or club-purchased aircraft are acquired, there is a continuing need for replacement parts. The military supply system is a potential source for replacement parts, on a fully reimbursable basis, only if parts are excess to operational requirements.

a. The host activity supply officer shall acquire or make available to the club the supply publications and documents needed to identify items required.

b. The club must acquire at its own expense a copy of the aircraft manufacturer's parts catalog for club-owned aircraft and for government-loaned aircraft when the publication is not available through the host activity.

c. The host activity shall obtain and provide the club with technical directives for the maintenance and use of government-loaned aircraft and equipment.

305. Supply Support and Accounting Procedures. The Naval Supply Systems Command Manual, Volume 2, Supply Ashore and NAVSO P-3520 govern supply and accounting procedures for flying clubs.

a. Navy Flying Clubs, as instrumentalities of the Federal Government, can legally purchase, on a fully reimbursable basis,

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petroleum products and material in support of club-owned aircraft just as they can for government aircraft on loan to the club. Purchases under these provisions shall be for the use of the club only, and shall not be resold to any individuals including members of the club. Use of government sources of supply for petroleum products, on a reimbursable basis, is authorized for leased aircraft. Use of this source of supply for other material support of leased aircraft is prohibited. Supply activities may provide necessary parts and supplies through other government agencies, on a fully reimbursable basis, for the direct support of government-owned and leased aircraft.

b. The uniform chart of accounts provided in NAVSO P-3520 applies to the recording of accounting transactions. The supplementary chart of accounts in appendix A provides additional guidance for use by Navy Flying Clubs. Where differences exist between NAVSO P-3520 and any other accounting system or guidance, the provisions of NAVSO P-3520 take precedence.

306. Inventories. Flying clubs are authorized to maintain an in-house inventory of aviation-related resale merchandise and aviation petroleum, oil, lubricants, and aircraft spare parts. All clubs shall limit merchandise sales to items that directly support club activities.

a. Spare parts inventories consist primarily of items which will prevent long aircraft or equipment down time. This inventory normally includes items which have a high turnover rate (such as air and oil filter elements), items purchased in bulk for discount purposes (such as spark plugs and tires) and items which are not readily available (such as flight instruments). Inventory levels will be established based on consumption rates and adjusted as necessary for cost-effectiveness. The objective is to establish an inventory large enough to meet operational needs, yet small enough to control and manage with minimum time and effort.

b. In addition to these inventories, a bench stock of low-cost items (such as nuts, bolts, screws, gaskets, tubing, hose, lubricants, etc.), not kept in the spare parts inventory may be maintained. Inventory control procedures do not apply to bench stock. Bench stock can be kept in a semi-secure area separate from the spare parts inventory. Bench stock items will be charged to expense at the time of receipt.

307. Registering and Obtaining Certification for Aircraft. All aircraft owned or operated by flying clubs must be FAA registered under FAR, part 47. Registration information is available from the local FAA General Aviation District Office (GADO).

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a. Register government-loaned aircraft as follows:

(1) Complete FAA AC 8050-1, Certificate of Aircraft Registration, as directed on the form. In the block "Name of Applicant," enter "United States Navy (owner)," and immediately below that the name of the flying club (operator). After "Address," enter the name and address as applicable. The manager shall sign the form as "applicant." Type the name, club position, title, name of the club, and the location in the appropriate space on the form.

(2) Complete DD 1348-1, DOD Single Line Item Release/Receipt Document. The commanding officer shall sign the DD 1348-1.

(3) If the civilian serial number of a government-loaned aircraft is not known, contact the manufacturer giving the aircraft model and military serial number and request the civilian serial number of the aircraft.

(4) Create the initial aircraft and engine logbooks as required by FAA directives after the aircraft is registered and certified airworthy.

(5) File and retain all military aircraft logbooks received with the aircraft at the time of transfer to the club.

(6) Establish and maintain all subsequent maintenance histories required by FAA directives.

b. For nonappropriated fund-purchased aircraft, complete FAA AC 8050-2, Aircraft Bill of Sale, using the instructions given with the form. In the block entitled "Purchaser," enter the name and address of the club as "owner and operator." Also, complete FAA Form AC 8050-1 as explained in subparagraph 307a(1) above; except in the block entitled "Name of Applicant," put the name of the club as owner and operator.

c. To register the aircraft, attach the original FAA AC 8050-2 to FAA AC 8050-1 (original white and one green copy) and send to the FAA Aircraft Registry, P.O. Box 25504, Oklahoma City, OK 73125. Applications without this documentation will be returned.

(1) Place the pink copy of the FAA AC 8050-1 in the aircraft until the permanent registration is received. When the

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Aircraft Registration is received, replace the pink copy with the permanent registration. The pink copy of FAA AC 8050-1 is valid for only 90 days.

(2) To cancel an aircraft registration, complete the reverse side of the Aircraft Registration Form and send to the FAA Aircraft Registry in Oklahoma. If the aircraft and form are destroyed, cancel the registration with the FAA in writing.